

The Financial Times of Indiana

Budget and Tax News from the Office of Governor Frank O'Bannon

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The News in brief...

Protect classrooms from more teacher lay-offs: O'Bannon to Committee

Governor Frank O'Bannon yesterday urged the House Ways and Means Committee to pass a budget bill during Special Session that will protect Indiana classrooms from more teacher lay-offs.

The text of his testimony:

Thank you Chairman Bauer, members of the committee. A lot has changed since I last spoke before your committee in January. The recession has caused several thousand more Hoosiers to lose their jobs. Many businesses have chosen not to expand or to move into our state. The economic downturn caused by the recession has made this the worst recession since 1981. Our revenue is now off another \$178 million this year.

Everything that we do is affected. And now we are feeling the full effect.

Every year about this time, Indiana school superintendents have difficult decision to make as they plan for the upcoming school year. This year was more difficult than most because of the budget crisis Indiana faces due to the recession. Because of the crisis, the superintendents have been forced to eliminate 1,100 teaching positions: 22 at Logansport Community School; 14 at New Albany-Floyd County School Corporation; another 33 at East Allen; and 1,000 others. Eleven-hundred teachers. Three hundred-thirty-five support staff. And 60 administrators.

It is an unprecedented number of lay-off notices for Indiana schools. It will be a serious blow to our classrooms. And unless you increase cigarette taxes and gaming taxes to help replace some of the \$3 billion in revenue we are losing because of the recession, more teacher lay-off notices will go out.

I called you back because we simply cannot let that happen, and we have an opportunity to fix it. House Bill 1001 gets us started on making sure additional layoffs do not occur, and I ask you to work with me in making sure it doesn't.

Unfortunately, the education of our children is not our only crisis. The national recession has hit Indiana harder and longer than any other state in the country. It has blown apart our budget, and it has cost thousands of Hoosiers their jobs. We need to protect our children by protecting their schools, but we also need to create jobs for the parents of those children by restructuring business taxes. And we need to cut property taxes to protect homeowners from the effects of court-ordered reassessment.

This bill gets us started in that direction of job creation and homeowner protection. And I will work with you – for as long as it takes – to make sure we get this bill through before this Special Session ends. Every Indiana school; every Hoosier child, every Hoosier worker; every Indiana homeowner; every Indiana farmer and every Indiana company needs your help. House Bill 1001 gets us started on giving them that help. Let's go to work.

Budget News From Around the Nation

States Brace for Financial Losses, Cuts

Excerpts from ABC World News Tonight, 5-14-02

It is the worst budget shortfall any state has ever had. Last spring, California was running a record \$8 billion dollar surplus. Now, it's projecting a record \$23.6 billion deficit. The nation's biggest state isn't alone in its troubles.

Plenty of other states are in a similar bind. **Of the 50 states, all but seven face budget deficits. Many are being forced to make drastic cuts.**

The reason for the shortfall: a faltering national economy, fallout from Sept. 11, an energy crisis the state spent \$6 billion to fix and the collapse of the technology sector, which put thousands of dot-com workers out of their jobs. Brett McFadden, the legislative analyst for California's public schools, worries K-12 education could eventually take a hit of \$1 billion to \$2 billion. "How are they going to realistically deal with this budget situation but at the same time protect education which manages to be almost half of the budget?" he asked.

Worse still: economic forecasters say they don't foresee any improvement to the situation for at least a year - probably closer to 18 months - when, they hope, a recovery in the national economy may trickle down to the states. Although other states aren't facing the kind of heavy shortfall California is, they are bracing for painful choices:

- **Missouri** can't afford to pay tax refunds.
- In **Alabama**, officials temporarily stopped jury trials to help offset the projected \$160 million shortfall.
- **Wisconsin's** deficit of \$1.1 billion over two years could make it hard for some cities to pay for police and fire services.
- **Massachusetts** is cutting dental care for the poor as one method to reduce its \$800 million deficit.

Indiana lawmakers return to work on June 3 following 3 weeks of House Ways and Means Committee debate about how to resolve the state's budget and tax code crises.

Cut property taxes, Protect homeowners, Grow good jobs for working families: Kernan to Committee

Lieutenant Governor Kernan urged the House Ways and Means Committee today to cut property taxes and update the state's tax code to protect homeowners and to grow good jobs. In part, he said: "if there are those who believe that it is still OK to wait, perhaps it would be good to take some of these hearings on the road... for example, you might want to go down to Terre Haute, to Mary Scott's neighborhood – she lives on 11th Street – and talk to her and her neighbors and tell them why... we don't have to do something now. Mary is a 68-year-old widow. She works part-time in order to be able to support herself. She's owned her own home for 10 years. Her property tax bill, if we don't do anything, will go from \$777 to \$1483 per year. That's a 91% increase on her very modest, well-kept property in north Terre Haute. Tell Mary Scott why it's OK to wait, and why she will, in her own words, be put in jeopardy of not being able to continue to own her own home, she may have to move closer to her children, may end up having to move into a nursing home or into assisted living..."